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ABSTRACT

Racial discrimination and racial segregation resulting from discrimination have an effect upon life in central cities. In central cities the costs of retail business and of housing are often higher than elsewhere. Minority group populations, concentrated in ghettos of central cities, are subect to limited job opportunities. The results of racial discrimination toward minority groups in central cities include a weak tax base, poverty, and socio-psychological problems for the population. Since housing discrimination is at the root of most of the other factors which degrade life in central cities, it must be attacked first. (RLV)

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The Costs of Segregation and Discrimination

Policy Research Agenda on Fair Housing for HUD

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I. Introduction

As we have seen in previous chapters, contemporary American cities are characterized by an extensive degree of racial residential segregation as well as a distinct pattern of segregation, with minorities clustered around the city center. Several alternative forces which could potentially cause this degree and pattern were presented: segregation by economic class, segregation due to racial prejudice on the part of whites and (perhaps) blacks, and segregation due to white discriminatory behavior (which may provide, beyond the direct constraints, indirect ones via the reduction in housing market information available to blacks).

It is important for the purposes of the following analysis to note that the harms of any given degree of racial segregation depend on the pattern of that segregation as well as on the dominant cause of that segregation. That is to say, given the current American degree of segregation there is a distinct set of harms which may be attributed merely to the pattern of blacks being segregated in the central city jurisdiction with its concomitant conditions of weak fiscal capacity, concentrations of poverty, deteriorating physical and social environment, etc., irrespective of the causes of such a pattern. In addition, however, as was demonstrated in the previous chapter the dominant force causing

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the pattern of segregation today is discrimination, and this particular cause of segregation generates its own unique harms irrespective of what pattern it produces.

One might wonder why such a conceptual distinction is important, considering that the contemporary scene is characterized by a conjunction of both a dominant discriminatory cuase and a centralized pattern of segregation. The reason is that the payoffs and broader social implications of potential public policy options regarding segregation vary dramatically depending on their approach to questions of degree, pattern, and cause, e.g.:

a) maintaining the degree of segregation and the magnitude of the discriminatory cause but changing the pattern (e.g. moving the ghetto en masse to a suburban area) might reduce some harms associated with the centralized ghetto pattern, but would leave unchanged a variety of other harms due to involuntary segregation.

b) reducing the centralized pattern of segregation by eliminating discrimination might still result in some centralized concentrations of blacks due to economic class segregation, whence the harms of discriminatory forces would be eliminated for all blacks although poor blacks would still bear the harms of centralization.

c) reducing the centralized pattern by eliminating discrimination and segregation by economic classes might still result in some clustering of blacks, due to voluntary, prejudicial reasons, but in such a case one might presume that blacks would be willing to bear the associated harms.

Put somewhat differently, the costs of segregation and discrimination cannot be measured without reference to some counterfactual scenario, i.e., compared to "what things would be like" with some different pattern, extent, and/or cause. Needless to say, a change in the current situation might reduce costs associated

with that condition but cause other, offsetting problems, but those issues will be considered at a later point in this paper.

Before turning to the analysis of the harms of segregation it should be pointed out that the attribution of harms solely to physical (residential) segregation is a rather artificial one. As will be shown in the final section of this chapter, physical segregation is both a contributor to, as well as a product of, the broader, more pervasive set of racist attitudes and structures in America. That is to say, while the attempt will be made to isolate the effects of discrimination in housing as opposed to discrimination in, for example, employment, one should realize that both are mutually-reinforcing elements of an interdependent system called the "ghetto."

Thus having clarified some basic distinctions and approaches to the problem, the main thesis of this chapter can be stated:

The centralized pattern of urban racial segregation and its predominant cause of discrimination:

1. directly impose significant burdens on minorities through a variety of means, and
2. indirectly contribute to the maintenance of the broader ghetto subsystem which, in turn, perpetuates a variety of problems for minorities and intensifies the underlying forces of segregation in a mutually-reinforcing manner.

The organization of the chapter is as follows. The next section will describe the direct costs attributable to the centralized pattern of segregation: A. reduced job opportunities/accessibility via suburbanization of employment, B. higher consumer prices via higher supply costs, and C. inadequate public services via weak central city fiscal capacity. Section III will examine the direct costs created by the discriminatory cause of segregation: A. higher housing prices and the resulting lower levels of housing consumption, B. reductions in homeownership potential via lending institution discrimination and/or broker "steering", C. higher consumer prices via retailer discrimination, D. reductions in the choice of alternative public service packages, and E. a host of socio-psychological problems. The relationship between physical segregation and the broader framework of the ghetto will be analyzed in Section IV, and the indirect costs of segregation in terms of reinforcing other racist attitudes and structures will be discussed. A final section will provide a summary of findings. Throughout attention will be paid to vital questions relating to the harms of segregation which remain unanswered, thus providing directions for future research.

II. Direct Costs of Centralized Pattern of Segregation

As demonstrated in earlier chapters, contemporary American racial segregation is characterized by concentrations of minorities in central city areas. Such a pattern of concentration in these areas with their limited job potential, housing stock, fiscal capacity, etc. creates particular problems for minorities irrespective of the reasons why they live in these areas. Kain, in Ferman (1968), for instance, notes that:

> If this single, or overwhelmingly dominant, Negro ghetto were replaced by numerous smaller and widely dispersed Negro settlements, in a large number of political jurisdictions, most of the indirect costs of housing segregation would either be mitigated or disappear entirely.

A. Reduced Job Opportunities/Accessibility

The progressive decentralization of jobs in metropolitan areas has made suburban residence increasingly more attractive in terms of maximizing employment opportunities and accessibility. Yet, minorities tend to be concentrated in the oldest neighborhoods of the central city whence various employment opportunities must be forgone or, at best, become associated with difficult, costly, and time-consuming trips from the ghetto.

The general trend of job decentralization is a well-documented fact; c.f. Harrison (1974), Friedlander (1972), U.S. Civil Rights Commission (1967). While prognostications of accelerating dispersal and a continued absolute decline in central city employment (c.f. Kain (in Wilson, 1968) and Downs (1968)) have proven, unfounded based on evidence from the late 1960's and early 1970's (c.f. Friedlander (1972, Ch. 2), Lewis (1969) and Harrison (1974, Ch. 2)), the fact remains that significant job opportunities continue to open up in regions located ever farther from the predominant residential areas of minorities. Such a situation can be seen to adversely affect minorities for three reasons.

Initially, it has been argued that the employment growth in those classifications which have traditionally been held by minorities (low and semi-skilled jobs) has been particularly prevalent in suburban vs. central city areas (c.f. Moynihan, (in Wilson, 1968), Scheiber, et. al. (1971), and Advisory Commission in Intergovernmental Relations (1968)). The result has been the famous claim of "mismatch": low skill endowments of the central city minority labor pool coupled with the white collar (assumed high-skill) characteristics of those few job classes still growing in central cities. Several studies have attacked this claim (c.f. Harrison (1974, Ch. 3)). Lewis (1969) studied the changes in jobs per capita in 15 SMSA's from 1953-1965 and found that for all types of industries there was an increasing number of jobs per central city resident. Frenon (1970, 1971) extended this analysis for particular employment groups in 8 SMSA's for

1965-67 and showed that, while low and semi-skilled jobs did grow slightly faster in suburbs, five-sevenths of the net overall central city increases were in these categories, and exceeded the unemployment of central city persons. Noll (in Crecine, 1970) conducted similar tests for 9 cities in 1968 and also concluded that unskilled jobs were progressively easier to find in central cities. Unfortunately for minorities, most of such job opportunities have been taken by in-commuting suburbanites (Frenon, 1970, 1971) suggesting that discriminatory employment practices, rather than residential segregation, are the root of the problem.[1]

The second factor leading from centralized segregation to lowered employment opportunities deals with information. The physical isolation of the ghetto may prevent potential workers from receiving full and accurate information about available job openings, especially if ghetto workers use more informal, unsystematic types of job search techniques (c.f. Kain (1968) and Lurie and Rayack (1966)). Bureau of Labor Statistic surveys of the job-seeking methods of ghetto and non-ghetto persons in 1968-69 (c.f. Hilaski (1971)) have indicated no significant differences in techniques between these groups. They do show, however, that one-fourth of the techniques used involved direct contact with employers (which is difficult in suburban areas for ghettoites), and another fourth involved relatives of "community organs" (neither of which may have adequate information about suburban opportunities given the paucity of minority familiarity with that area).

The final factor related to lowered employment opportunities concerns transportation. The difficulty in transporting oneself from a central ghetto to a potential suburban job have been widely documented (c.f. Dodson (1968), Meyer, et. al. (1965, Ch. 7), Kain and Meyer (1970), Kain (1968), Kerner Commission (1968), Ornati (1969), Tabb (1970, Ch. 6), Foreman (1971, Ch. 4). A reliable automobile which may be necessitated for certain suburban worktrips is obviously beyond the financial means of many potential minority employees, (c.f. Kain and Meyer (1970)) and the inadequacy of public transit alternatives is manifest (c.f. California Governor's Commission (1965), Meyer, et. al. (1965), and Ornati (1969)). What's more, the demonstrated low response to special transit projects for transporting ghettoites to suburban workplaces (c.f. Lewis (1969) and U. S. Dept. of Labor (1971)) suggests that, even if technically feasible, the time, comfort, and out-of-pocket costs of lengthy city-suburb commutes may override the potential gain of looking for or holding a job there. Furthermore, even if a ghettoite does accept suburban employment it is likely he/she will spend more time and money to reach such a job than a suburbanite working in the central city (c.f. Newman (1967), Morgan (1967), Ornati (1969, Ch.1)).

Obviously, the ultimate validity of these three factors rests on the demonstration of some statistical relationship between the centralized pattern of minority segregation, the dispersal pattern of employment, and the degree of minority employment or unemployment. On this point there has been a great deal of debate (c.f. Harrison (1974) and in von Furstenberg, et. al. (1974)). The

first statistical study in this regard was conducted by Kain (1968) using data from Detroit (1952) and Chicago (1956). Kain found that in both cities the proportion of black to white workers in a workplace zone was directly related to the proportion of blacks living in that zone and inversely related to distances from the zone to black residential areas. An estimate of the aggregate employment impact of segregation was made by simulating expected black employment in zones given perfect racial integration, and revealed a job loss of 22-25,000 in Chicago and 4-9,000 in Detroit.[2] The reliability of this estimate has been questioned by Offner and Saks (1971), who used the same data but showed with a different specification of the model that a dispersal of black population could result in a net loss of black jobs.[3]

Mooney (1969) specified a different relationship and tested it using 1960 census data for 25 SMSA's. His "ghetto" employment variable was defined as the product of labor force participation rate and employment rate for those central city tracts in which nonwhites constituted more than 50% of the population and which median family income was less than two-thirds of the SMSA median. Mooney found that ghetto employment was (strongly) inversely related to SMSA overall unemployment rates, and directly related to the share of SMSA jobs located in the central city and the proportion of blacks who lived in the central city but worked in the suburbs (a claimed proxy for "accessibility" but also potentially one for job discrimination).[4] Unfortunately, none of the above studies provided controls for differences in the characteristics of local labor forces or labor market structures.[5]

Friedlander (1972) attempted to provide such controls in his use of 1960 Census and 1966 Labor Department data for a sample of 30 SMSA's. Friedlander specified three different regression models of nonwhite central city unemployment rates. The first used variables proxying for attributes of the nonwhite labor force like crime, health, welfare, and education levels, an index of discrimination in employment, and a residential segregation index, and found the last factor insignificant in both 1960 and 1966. The other two models focused on labor market structural characteristics (both static and cyclical) such as manufacturing wages, nonwhite labor force participation, employment and migration changes, and an index of employment dispersal. In both models for 1966 greater dispersal of jobs showed a significantly positive correlation with higher nonwhite unemployment rates.[6] A test of combining elements of all three models into a single equation and testing for potential interactions between segregation, job dispersal, and nonwhite unemployment, ceteris paribus, was not, unfortunately, attempted.

The evidence from multivariate statistical analyses suggests, therefore, that there is an association between the centralized pattern of segregation and a diminution of black job opportunities, although the magnitude of this effect is debatable and the exact mechanism through which the relationship is formed remains unclear. All of this analysis beg the crucial, counterfactual question, however: would minority employment actually increase if the centralized ghetto was dispersed, ceteris paribus? The conventional wisdom has been glib on this point (c.f. Kain

and Persky (1969), Downs (1968), Kern Commission (1968). Yet a variety of studies cast doubt on this position.

Harrison (1972, Ch. 4) challenges whether suburbanization of minorities would significantly improve their employment opportunities. He finds from the OEO's 1966 economic opportunity sample of the 12 largest SMSA's that nonwhite unemployment rates and median earnings show little variation across central city poverty areas, other central city areas, and suburban rings. Kain (in vonFurstenberg, 1974) has rejoined that these findings bear little relevance to the issue of employment opportunities since the peculiarities of the spatial distribution of housing qualities available to minorities bias the results. That is, most nonwhite suburban residents live in a few pockets of relatively low quality housing or in rural parts of metropolitan counties, while middle-class nonwhites usually find the best available housing in neighborhoods coterminus with (or even subsections of) central city poverty tracts. It is not surprising, then, that suburban residence does not appear markedly superior from viewing aggregate cross-sectional data.

A more direct test of the effect of suburbanization is provided by Hutchinson's (in von Furstenberg, 1974) study involving dispersed black communities in the Pittsburgh region in 1967. Hutchinson estimated the probability of an individual being employed based on race, sex, age, education, accessibility to employment opportunities within the appropriate job-search zone (depending on the individual's mode of transportation),[7] and a Taeuber index of segregation for that zone. Regressions

for blacks in central city and fringe poverty zones indicated that segregation within their potential work zone did not significantly reduce their probability of employment in the former areas but did in the latter: each 1% increase in fringe area segregation decreased the probability of suburban blacks being employed by 4%. It was also found that the added employment accessibility provided by having an auto was significant for blacks in all areas, although variations in public transport-related accessibility were not. Thus, while the results support earlier claims about the relationships of accessibility, auto-ownership, segregation (at least in some areas) and employment, the specific type of minority dispersal envisioned in the counterfactual scenario (especially sex, age, and education) crucially affects the potential payoffs (c.f. Hutchinson (in vonFurstenberg, 1974, pp. 93-94)).

Conclusion

The evidence suggests that there is a negative correlation between the relative centrality of nonwhite segregation/dispersion of job opportunities and minority employment levels. Furthermore, even in situations where no loss of a minority job occurs, there still is a welfare loss due to the time-consuming, expensive commutes which such a separation of residence and workplace necessitates.

More research is needed in order to discover which of the three potential mechanisms by which this association is transmitted is most important here. For instance, newer data con-

cerning the central city and suburban growth of jobs matching the skill levels of segregated minorities are needed in order to conform what appears to be a break in the pre-1965 dispersal trend. More detailed analyses of the methods and adequacy of minority job search techniques is required, especially concerning the relationship between quality/quantity of information obtained and the geographic separation of residence and potential work place. Finally, additional studies of current minority transport availability and adequacy are suggested.

The great difficulty in quantifying the costs of reduced job opportunity/accessibility relates to the counterfactual scenario--how much would such conditions improve under different alternatives? Hutchinson's (in vonFurstenberg, 1974) work, for instance, suggests that a change from a central ghetto pattern to one of several, suburban ghetto communities may not improve job opportunities as much as more general dispersal. Yet this study, as all others, has not followed minority workers longitudinally as they suburbanized, and thus has only limited relevance to the question "what if . . .?" Yet, as noted by Frieden (in Wingo, 1972, p. 38):

> Residential location in itself is only one factor of many that contribute to racial inequalities in jobs and incomes. . . . Conceivably even living in the suburbs, closer to centers of new job growth, does not suffice to bring black people into good communication with the job market. If public transportation between central-city locations and the new industrial parks is poor, it is probably no better in the suburbs. The worker without a dependable car is probably equally disadvantaged in both places. Or perhaps living in the suburbs does help people cope with problems of communication and transportation, but it does not provide workers with new job skills nor does it deal with discrimination in hiring. . . . Opening up more suburban housing to the black poor may be helpful in terms of employment, but the evidence suggests that it is not decisive.

Nevertheless, even given the difficulty in quantifying the cost of reduced job opportunities/accessibility due to our lack of longitudinal data and our inability to identify the appropriate counterfactual reference point, these costs are real and non-trivial. The centralized pattern of segregation clearly places constraints on minority individuals' job searches, employment choices, and work-trip mode, length, and cost alternatives. Given the existence of severe constraints in any maximization problem, the presumption must be that the ultimate levels of well-being achieved are less than those which would be attainable in alternative situations involving fewer constraints.

B. Higher Consumer Prices

There is a preponderance of evidence to suggest that prices for comparable items are significantly higher in central city poverty areas than in non-poverty area (c.f. Caplovitz (1967), Sturdivant (1969), Tabb (1970), Sowell (1975), Ch. 6). Yet a variety of questions exist concerning what proportion of such consumer price differences can be attributed to blatant merchant discrimination against the poor of any race vs. blacks of any income, and what proportion may be attributed to the higher costs of operating a business in a centralized ghetto. The latter point will be considered here, and the former will be relegated for discussion in Section III below.

There exist a variety of factors which undoubtedly increase the cost of retail operations in central city areas which, in turn, are reflected in higher consumer prices. As pointed out

by a Federal Trade Commission Report (in Sturdivant, 1969, p. 104), "Practically all of the substantially higher gross margin of the low-income market retailers were offset by higher expenses and did not result in markedly higher net profits as a percentage of sales." Nevertheless, even in the absence of retailer discrimination, the mere fact of a centralized pattern of minority residents in such arenas of higher retail costs and prices represents a distinct diminution in their real purchasing power compared to a situation where minorities were not so centralized.

The traditional argument behind higher ghetto retail costs rests on the preponderance of inefficient "mom-and-pop" stores as opposed to branches of large scale chain stores (c.f. Sowell (1975, Ch. 6) and Sturdivant (in Sturdivant, 1969). The factors usually cited for such a situation are the lower inventory turnover, the higher costs of insurance, pilferage/vandalism losses, etc., all of which are attributable to the concentrations of poverty and crime in the area and not necessarily the centralized location.

Yet, centrality in and of itself may raise business costs and especially discourage larger scale operations, given the higher land prices per acreage and the resultant higher densities of land usage in central vs. suburban areas (c.f. Edel and Rothenberg (1972, Ch. 2), Alonso (1970), Muth (1971), and Beckmann (1969)). Central city stores would face higher site costs, a factor especially critical for more land extensive operations. Higher city density would also be a factor in raising the risk of fire hazards (and resultant insurance rates). This latter aspect may be exacerbated by the prevalence of older, deteriorated

structures in central ghetto areas as well. Finally, as will be shown in Section C below, central stores may also face higher tax burdens. Unfortunately, virtually nothing is known quantitatively about the significance of these effects in raising central city firms' costs or affecting the type of stores which do business there .

Conclusion

There is reason to believe that the central location of the ghetto may, in itself, create higher consumer prices for minorities due to the higher costs of doing business in central city areas (independent of the poverty status of such areas).[8] Virtually no research has been done to analyze intra-metropolitan variations in retail business costs or to what degree such variations can be traced to the socioeconomic profile of the area in which business is conducted, as opposed to pure centrality effects. Given this, no firm conclusions about the severity of this harm can be made.

C. Inadequate Public Services

The centralized pattern of racial segregation creates a host of problems for minorities simply because of the weak fiscal capacity of the central city political jurisdiction in which they reside. The aging housing stock and the associated concentrations of poverty, fire, and health hazards, the decaying municipal physical facilities, the use of central city public services by nonresident commuters, and (in the case of older, Northern cities)

strong municipal unions and entrenched bureaucracies and an exodus of population, combine to splay the central city on the horns of the dilemma of weakening tax base in the face of rising costs (c.f. Peterson in Gorham and Glazer, 1976), Heilbrun (in Edel and Rothenberg, 1972) and Advisory Commission on Intergovernmental Relations (1967)). This forces central city residents into the unenviable tradeoff of either reducing public services to a level which is affordable, or increasing them to the point where they are adequate, though financially burdensome. As before, issues dealing with discriminatory actions against minorities within jurisdictions will be considered in Section III below. Here we concern ourselves only with harms to minorities stemming from their concentrated residence in a fiscally-unsound political jurisdiction.

The tax burdens born by central city residents are higher, absolutely and as a percentage of income, than those born by residents of those jurisdictions ringing the central city. Advisory Commission on Intergovernmental Relations data (1970, Tables 8-10) show that in 1966-67: central city municipal expenditures were $58 per capita higher than those of their suburban ring jurisdictions, municipal taxes were $45 per capita higher, and intergovernmental aid was only $6 per capita higher. The concentrations of poverty in these central city jurisdictions, coupled with the fact that about 80% of local tax revenue is raised through the regressive property tax, leads to the situation where municipal taxes consume a higher portion of a central city resident's income than is the case for suburbanites: 6.1% vs.

only 4.3% in 1967 (c.f. Advisory Commission (1970, Table 12)). Newer data indicate this trend to be continuing into the 1970's (c.f. Peterson (in Gorham and Glazer, 1976)). This image of central city-suburban fiscal inequity is further strengthened by the preponderance of evidence demonstrating the uncompensated use of central city services by suburban commuters (c.f. Neenan (1972) and Harrison (1974, Ch. 6)).

The aforementioned relatively higher central city public service expenditure levels must not be interpreted as an indicator of a higher "quality" of municipal services. On the contrary, it is likely that it is a measure of the need to fight more fires, solve more crimes, etc. per capita with municipal workers being paid higher salaries than their suburban counterparts, although it has been very difficult for researchers to sort out quality vs. cost effects in public services (c.f. Adams (in Edel and Rothenberg, 1972)). In one particular type of public service, however, the effect of lower quality which has been born by minorities is clear: public education.

Up until the late 1960's casual empiricism had supported the conventional wisdom of the relative inferiority of the black educational system compared to whites' (c.f. Sexton (1961), Silberman (1964)). Then, in 1966, the comprehensive Equal Educational Opportunity Survey was conducted and the data analyzed by Coleman (1966). His analysis indicated that, on the average nationwide, black pupils: received fewer mental tests, had a less adequate supply of textbooks, remedial courses, and accelerated courses, had teachers of lower qualifications, had greater numbers of

pupils per room, and had fewer of some of the facilities that seem most related to academic achievement, like science and language labs. Further analyses of these and other data by Jencks (1972, Chs. 2,3) revealed that the net effect of the variety of educational quality differences due to segregation explained 14-20% of the black-white gap in mean scores on standardized tests.

While the methodologies employed in the above studies have come under heavy criticism (c.f. Mosteller and Moynihan (1972)), it is significant that clear interracial variations in school quality were detected, even though the sampling technique of having principals and teachers provide data about their schools (at their option) undoubtedly overstated the true quality of ghetto schools, especially the worst ones (who were unlikely to respond at all).[9] It is unfortunate that the data, flawed as they may be, were not stratified so as to show quality differentials between black and white schools within jurisdictions as well as those between black central city districts vs. white suburban ones. More recent evidence suggests that the latter situation may have deteriorated further since these surveys. While intra-jurisdiction segregation has been dropping, inter-jurisdiction educational segregation (the major problem being analyzed here) has risen dramatically (c.f. Coleman and Kelly (in Gorham and Glazer, 1976, Table 6)).

Conclusion

There is little doubt that the concentration of minorities in a central city political jurisdiction with weak fiscal capacity

creates ever-increasing tax burdens with little, if any, corresponding improvement in municipal service quality. Documentation of the disparities in central city-suburban tax burdens is clear, but the evidence on public service quality is less so. Major systematic studies have only been conducted in the area of public education, and while they demonstrated the expected interracial school quality differential, they did not consider whether the source of this differential was due to intra-jurisdictional discrimination or inter-jurisdictional inequities in tax base. Even less can be said about other types of public services. Until further research is conducted which can make intra- and inter-jurisdictional comparisons of municipal tax costs per unit of "quality" of public services, the quantification of the problem remains difficult.[10]

III. Costs Due to the Discriminatory Cause of Segregation

In the following sections we outline the various harms to minorities which are wrought from the variety of discriminatory practices existent in society. While such practices are the main cause of the centralized pattern of segregation today, there are distinct harms resultant from discrimination which do not depend on the particular segregation pattern.

A. Higher Housing Prices/Reduced Housing Consumption

Housing market discrimination's effect is the raising of prices minorities pay for housing as compared to those paid by whites for comparable housing. The impact of discrimination is to artificially restrict the supply of dwellings

available to minorities, either directly through blatant exclusion or price discrimination, real estate broker "steering," etc., or indirectly via increasing minority housing search/information costs. In either case, minority demand for dwellings in the "ghetto submarket" will receive an added fillip due to discrimination, leading to the price divergency.[11]

As pointed out in the previous chapter, a variety of empirical studies have attempted to isolate the pure interracial price effect due to discrimination. It was shown that only those studies whose model specifications standardized for individual residential structural and neighborhood characteristics and made interracial price comparisons for such comparable dwellings within the same neighborhoods produced legitimate estimates. To review these studies' results briefly: King and Mieszkowski (1973) found that in 1968-69 New Haven black renters paid 8% more in "black-white boundary zones" (3-60% black occupancy) than whites did for comparable flats in these zones, and female-headed black households paid even more. Galster (1977) found that in 1967 St. Louis middle class blacks (with middle aged heads, average size families) faced an effective discrimination markup of 20-50% over white prices in areas bordering the ghetto (35-80% black occupancy). No distinct markups were discovered for other black income classes or family-type categories. Yinger (forthcoming) analyzed the same 1967 St. Louis data for owners with a different model specification and concluded that blacks as a group paid 15% more than whites within any given neighborhood. Finally, Schafer (forthcoming) found that in Boston in 1970 ghetto blacks paid from 13.5% to

515.6% more than ghetto whites for equivalent housing, depending on the quality of the bundle. Blacks paid more than whites in transition and central city predominantly white areas for six of eight housing quality types considered; the highest markup being 353.9% in the former and 13.9% in the latter areas. Blacks also paid more than whites in suburban areas, with the differential ranging from 8-51% depending again on the housing quality involved.[12] In sum, the sophisticated econometric evidence provides conclusive evidence of the existence and severity of higher housing prices due to discrimination, especially for middle-income or female-headed black households seeking higher quality housing.

Given such inflated housing prices, economic consumer demand theory suggests that blacks would alter their purchasing patterns so as to consume relatively less housing vs. other goods compared to whites with comparable incomes and preferences (given some positive elasticity of demand).[13] Interracial housing consumption differentials provide independent evidence of the existence of housing discrimination (c.f. Straszheim (1974)).

Two major econometric studies have discovered such a differential in housing consumption. Kain and Quigley (1975) used 1967 St. Louis data to estimate "housing consumption functions" for four housing attributes (dwelling and neighborhood quality, interior and exterior space), based on race, income, family size and age, and other factors influencing purchasing power and/or preferences. They found that blacks consumed significantly less of the qualitative attributes, somewhat less exterior

space, and the same interior space. Their estimates suggest that in the absence of discrimination black consumption of dwelling quality would double, and consumption of neighborhood quality and exterior space would increase 15-20%. Unfortunately, the absence of a price variable in their equations makes their specification incomplete and their estimates suspect.

Straszheim (1973, 1974, 1975) stratified his 1965 San Francisco Bay Area sample in six life-cycle and two racial categories, then econometrically estimated demand equations for the housing components of rooms, age, and lot size based on income, prices of different "benchmark" dwellings in the zone of residence, and location in submarkets of differing racial compositions. He then estimated what black housing consumption of these attributes would be if both black incomes and housing price/income ratios were adjusted to levels of their white counterparts. For a married, middle-aged black household with children, standardizing incomes closed 10-20% of the interracial consumption gap, standardizing price/income ratios closed 20-33% of the gap, and eliminating the "housing supply constraints" associated with location in the ghetto housing submarket closed virtually all the rest of the gap (the specific amount depending on the particular attribute in question). For this representative black group it suggests that the elimination of discrimination would decrease the age of dwelling consumed by about a third and the proportion consuming small lot sizes by about a tenth, and leave the consumption of rooms virtually unchanged. The major problem with this study is that in the construction of

the neighborhood price variable the crucial housing components of dwelling, neighborhood, and public service qualities were not considered, nor were racial compositions.[14] Furthermore, no qualitative housing components (which Kain and Quigley found so important) were considered, other than age.

Conclusion

There exists much conclusive evidence, derived from a variety of housing markets and empirical techniques, which shows that blacks pay significantly more than whites for comparable housing. The magnitude of this markup appears to be about 10-20% overall, but can be higher for higher income black households seeking high quality housing in particular areas. As would be expected in such a situation, blacks have been observed to consume significantly less housing, even when income and family life-cycle differences have been taken into account. Estimates suggest that, in the absence of discrimination, black consumption of qualitative housing attributes would increase in the range of 30-200%, and consumption of exterior yard space would increase 10-20%. Additional research in the area of consumption is warranted, however, so as to not only improve the demand specification by including a correctly-estimated price term, but also to expand the estimates to cover a wider variety of housing-related attributes.

B. Reduced Homeownership Potential

In an analogous fashion to the discussion of the previous section, home ownership may be considered as a housing attribute whose consumption is made more difficult and/or expensive through such tactics as real estate broker "steering" or financial institution mortgage discrimination.[15] Thus, interracial variations in homeownership rates which cannot be explained by differences in the demand for homeownership (based on income, life-cycle characteristics, relative prices of owning vs. renting, etc.) can be attributed to discrimination.

A variety of similar studies have estimated the probability of home ownership for blacks and whites based on a variety of income and life-cycle factors, and all have concluded there exists a significantly lower probability of homeownership for blacks which cannot be explained by differences in the above factors. Kain and Quigley (1972, 1975) found a 9% lower probability in their 1967 St. Louis Sample. McDonald (1974) replicated the Kain and Quigley methodology for 1965 Detroit data and found a 10% probability differential. Straszheim (1973, 1975) estimated approximately a 10% differential (which varied by life-cycle group) using his 1965 San Francisco sample. A national sample of households in the 1967 Survey of Economic Opportunity was analyzed by Birnbaum and Weston (1974), who also found a 9-10% ownership differential. Finally, Roistacher and Goodman used 1971 Panel Study of Income data and estimated a 26% lower probability of black homeownership.

The remarkable consistency of results in the above studies is diluted somewhat by the irresolution regarding three additional

factors potentially affecting homeownership: cross-tenure prices, wealth, and recent mover status. The relative prices of rental vs. owner dwellings has strong a priori appeal as a significant variable, yet only Straszheim includes such a variable in his model and, unfortunately, as noted above the validity of these price estimates may be questioned. The inclusion of wealth as an independent variable in the homeownership equation of Birnbaum and Weston eliminated interracial disparities, but an analogous inclusion of savings in the Roistacher and Goodman had no effect. Similarly, Kain and Quigley found that when only recent movers were considered the interracial homeownership gap persisted, while Roistacher and Goodman found no such gap for this group.

Conclusion

The evidence consistently suggests that housing discrimination reduced black homeownership potential by about 10%, and thus significantly reduces their access to this invaluable form of wealth accumulation and inflation-hedge (c.f. Marcuse (1972)). The magnitude of the estimate seems uncomfortably sensitive to the specification of some key variables. Additional research is warranted which simultaneously estimates homeownership and wealth, and utilizes accurate proxies for cross-tenure price differentials as well as controls for recent-mover status. Furthermore, more study is needed to determine the significance of the limited central city supply of single family dwellings suitable for purchase. Only then can the effects

of the centralized pattern of segregation on homeownership potential be distinguished from those of discrimination by brokers and lenders.

C. Higher Consumer Prices

In Section IIA above it was shown how consumer prices were systematically higher in central city poverty areas than elsewhere. It was also demonstrated how some of this difference might be explained by factors raising central city retail firms' costs (including those associated purely with central city location), independent of any explicitly racial considerations. Here we examine this latter facet of the problem.

Since housing market discrimination is a major force causing the segregation of all minority economic classes in central city areas one might logically presume that an analagous form of retail market discrimination might also be occurring. Such discrimination could be generated in two ways. One might involve prejudiced white storekeepers (the dominant retail force in the ghetto, c.f. Davis (1972, Ch. 3) and Fusfeld (1973, Ch. 4)) who demand some sort of "compensation" for dealing with minorities due to their "tastes for discrimination," as in the Becker model (1957). While it is virtually impossible to empirically measure the extent of this prejudiced-based discrimination, anecdotal evidence testifies to its existence. The second means may be independent of the race of the seller; all retailers will charge higher prices in any market with a more inelastic demand when such a market can be effectively isolated from others, i.e., the classic price discrimination model. Clearly, such a

paradigm has more validity with low income, low education, recent in-migrant consumers of any race, although there is reason to believe that real or perceived white hostility to minority consumers in non-ghetto areas, perhaps coupled with language barriers for foreign-born minorities may add additional racial constraints. Caplovitz's (1967) study of low income consumers in New York City did find that the above hypothesized nonracial factors did affect the scope of shopping in the expected manner, but claimed that the scope of black shoppers was larger than that of whites which, in turn, was much larger than that of Puerto Ricans. No multivariate controls were made in the test, however, and, as Caplovitz admits, the fact that sampled blacks were generally younger tended to bias the estimate of purely racial shopping scope effects (Caplovitz, (1967, Ch. 4)).[16]

Regardless of which model of consumer price discrimination is more accurate, the evidence clearly demonstrates that such discrimination exists. Caplovitz's aforementioned study (1967, Ch. 6) revealed that both blacks and Puerto Ricans had about twice the likelihood of paying more than an arbitrary benchmark price[17] for TV's, phonographs, and washers than did whites, although the difference was primarily due to the more likely use of credit by minorities. It was unclear, however, whether the means by which minorities were "persuaded" to use credit and the terms of such were racially discriminatory. In addition, the lack of multivariate controls on his tabular results inhibit many generalizations.

In a related critique, Sturdivant and Wilhelm (in Sturdivant, 1969) claim Caplovitz's failure to standardize brand and model

variations is problematic, for one does not know whether whites generally selected more expensive models and brands or if this shopping behavior was characteristic of either minority studied. They conducted "checker" studies of TV set purchases in black, Chicano, and white shopping districts using three otherwise-comparable black, Chicano, and white couples in each. Three of the most frequently used furniture and appliance stores in each of the two minority communities were compared with three stores offering comparable brands and models in an average white community. Results indicated that overall prices for a given product were always higher in the six ghetto area stores, regardless of the race of the buyer (indicating the aforementioned cost factor). While none of the black area stores discriminated in cash prices, one of the three white area stores made 9% mark-ups in cash prices for the minority couples, and two stores in the Chicano area asked 3-5% more for Chicanos vs. whites, although in one case blacks paid more than whites and in the other case vice versa. When credit prices were considered, however, minorities were blatantly discriminated against in two white area stores, with effective (and illegal) interest rates of over 40% being charged. While relatively minor black-white differentials occurred in black area stores, one Chicano couple's credit price was almost 25% higher than the others.[18] These findings support Caplovitz's inference that merchants utilize credit charges as the predominant vehicle of discrimination, although such price differentials were not as significant as those between ghetto and non-ghetto areas. Unfortunately, the limited sample of

stores, checks, and products involved in the Sturdivant study make generalizations problematic.

Conclusion

The evidence suggests that minority consumers pay higher consumer prices, especially considerable items bought on credit, than do comparable whites. The interracial price differential appears small, however, compared to the retail cost effect of operating in central city poverty areas vs. in suburban non-poverty areas, although the paucity of large scale, comprehensive, multivariate analysis make specific estimates of magnitudes impossible. A great deal of further research is needed to disentangle these two effects. More comprehensive studies of the pure race discrimination effect are especially needed to determine for what products, in what types of stores, and for what type of prospective minority buyer the markups are most significant.

D. Limitations in Public Service Choices

In Section IIC above we saw how the pattern of residential segregation led to inadequacies in the provision of municipal services due to the weak fiscal capacity of the central city jurisdiction. Here two related, but distinct, arguments will be made which deal with the particular effects of discrimination on public service choices, independent of which political jurisdiction those who are discriminated against reside in.

Given the existence of a myriad of municipal jurisdictions in most metropolitan areas, each offering a particular level and mix of public services, one would expect that with unconstrained residential location choices households would "vote with their feet" and move into those municipalities offering (for them) the optimal service package. Tiebout (1956) has argued that such free movement of households between a variety of "competing" jurisdictions will lead to a maximization of net benefits for the metropolitan area as a whole. Unfortunately, such "voting with your feet" is severely limited for minorities due to housing market discrimination, while it has been widely employed by whites (c.f. Bradford and Kelejian (1973)).[19] Housing market discrimination, then, insofar as it restricts minorities to any given political jurisdiction in which they reside, reduces their choices of levels and mixes of public services and thereby the likelihood that they can obtain an optimal (well-being maximizing), service package.

The second argument deals with public services provision within a jurisdiction in which minorities may reside. If the municipality spatially discriminates between the type and quality of services provided to white vs. minority neighborhoods, then the "choice" of public service packages is further reduced for minorities. (Note that such spatial discrimination is only feasible given residential segregation.) Unfortunately, only scattered evidence (concerning education and police) exists to suggest that interracial differences in public service provision is due to intra- vs. inter-jurisdictional

inequities. Anecdotal evidence implies that within central city school districts the quality of education supplied to minorities "tends to be not only quantitatively substandard, but even more substandard qualitatively" (Sowell (1975, p. 192)). Such claims, combined with Coleman's (1966) finding that minority student achievement was strongly influenced by their sense of environmental control, have been used to justify "community control" for minority schools (c.f. Clark (1965, Ch.6), Knowles and Prewitt (1969, Ch. 3)). Even more bitter complaints from minority communities have arisen concerning lack of police protection--both in terms of the small number of patrolmen and the slowness and apparent unconcern with which they respond to calls (c.f. Kerner Commission (1968), Knowles and Prewitt (1969, Ch. 5) and Sowell (1975, Ch. 7)). In addition, Sowell (1975, pp. 194-5) claims that "the inequalities in the provision of government services to . . . minorities extend well beyond law and education . . . to garbage collection, recreational facilities, and innumerable other services." Yet, the comprehensive, quantitative data to back up such a claim do not exist.

Conclusion

Housing discrimination reduces the well-being of minorities by limiting their ability to reside in jurisdictions which provide more optimal packages of public services. The magnitude of this cost is difficult to estimate until research is conducted into the preferences various racial/socioeconomic groups have for

public service levels/mixes and comparisons made to those packages which they presently consume. Discrimination in the provision of public services between racially segregated neighborhoods within a jurisdiction also exists. The evidence is strongest in the areas of education and police protection, but even here the lack of systematic comparative research prohibits an analysis of the severity of this problem.

E. Socio-Psychological Problems

Several generations of studies have documented the complex web of social pathologies existing in the ghetto (c.f. Frazier (1939, 1949), Myrdal (1944), Drake and Clayton (1945), Grossack (1963), Clark (1965)). Though the interrelationships between economic class, family status, demographics, rural-urban migration status, etc., and socio-psychological problems are complicated, there is little doubt that the prime causal force in the system of pathologies is discrimination.

Discrimination and its associated racist institutions set up a vast, interlocking array of economic, social, political, and psychological barriers and "rejection mechanisms" (c.f. Fusfeld (1973, p. 54). Because of these barriers, minorities lose a sense of control over their lives and environment[20] which, in turn leads to a questioning of identity and a weakening of self-esteem (c.f. Pettigrew (1965, Ch. 1) and Bromley and Longino (1972, Chs. 8-11)). A variety of responses to such a situation are possible (Allport (1954, Ch. 9)), but many psychoanalytic

studies of ghettoites have concluded that the adaptations attempted have frequently been harmful:

> The central problem of Negro adaptation is oriented toward the discrimination he suffers and the consequences of this discrimination for the self-referential aspects of his social orientation. . . . The conclusions derived from different experimental approaches . . . are essentially the same. The major features of the Negro personality . . . include fear of relatedness, suspicion, mistrust, the enormous problem of control of aggression, the denial mechanism . . . (These) defects in adaptation . . . owe their existence entirely to the arduous emotional conditions under which the Negro in America is obliged to live. (Kardiner and Ovesey (1972, pp. 302, 337-8)).

> Many of the reactions to this special (discriminatory) burden lead to personality damage and constriction--anxiety, symbolic status striving, self-hate, prejudice against others, meekness, passivity, social insulation, and extreme escapism. (Pettigrew (1964, p. 55)).

Of course, the above set of socio-psychological costs are generated by the entire consolidated spectrum of discriminatory actions and institutions in America, and cannot be wholly attributed to housing segregation.[21] There are at least three ways, however, in which discriminatory segregation can generate or exacerbate these problems. Initially, enforced physical separation of two groups in and of itself can perpetuate racial stereotypical roles (c.f. Baron (in Knowles and Prewitt, 1969)) and encourage the mutual development of "lack of understanding, suspicion, and hostility." (Foreman (1971, p. 45)). Secondly, the reduced level of black housing consumption analyzed in Section IIIA. above may also have an independent socio-psychological effect insofar as

it weakens the personality and/or family structure via inadequacies of housing quality and facilities, overcrowding and possible doubling-up of households, etc. (c.f. U.S. Dept. of Labor (1965)), Kerner Commission (1968), and Foreman (1971, Chs. 4,8). Finally, involuntary segregation means that it is immensely difficult for any well-adjusted, stable black individuals and families to escape the undesirable influences of the others (c.f. U.S. Dept. of Labor (1965)).

The foregoing discussion of pathologies should not be interpreted as meaning that any minority deviation from white social norms is a "problem." Recent initiatives for "Black Pride," for example, while encouraging the creation of a distinct black subculture, undoubtedly have a variety of beneficial outcomes in terms of an individual's sense of identity, power, and self-worth (c.f. Foreman (1971, Ch. 4)) and Bromley and Longino (1972, Sect. III). This formulation of distinct existential perspectives on social reality is necessary, for it allows ghettoites "to stay alive and not lose their minds . . . (to have) some modicum of hope about a reasonably gratifying life . . . (to) preserve for many the slim hope that somehow they may be able to find admittance for themselves or their children to the larger society" (Rainwater (1973, p. 7)).[22]

Conclusion

There exists no doubt that discrimination in American society creates a host of socio-psychological problems for minorities, stemming from the ultimate sense of powerlessness which it creates

in individuals. Discrimination leading to housing segregation has its own distinct contributions to this overall situation, although its significance cannot be assessed. It is, of course, inherently difficult to quantify such socio-psychological problems, but greater research into the contributions which such problems make to such pathologies as crime, drug abuse, illegitimacy, school dropouts, etc. could go far in providing more tangible estimates of harm. In a larger sense, efforts are also needed to discover which (if any) element in the interlocking array of discrimination is the central root of socio-psychological costs, so as to know how to prioritize public anti-discriminatory policies.

IV Direct and Indirect Costs of Segregation in the Context of the Ghetto Subsystem

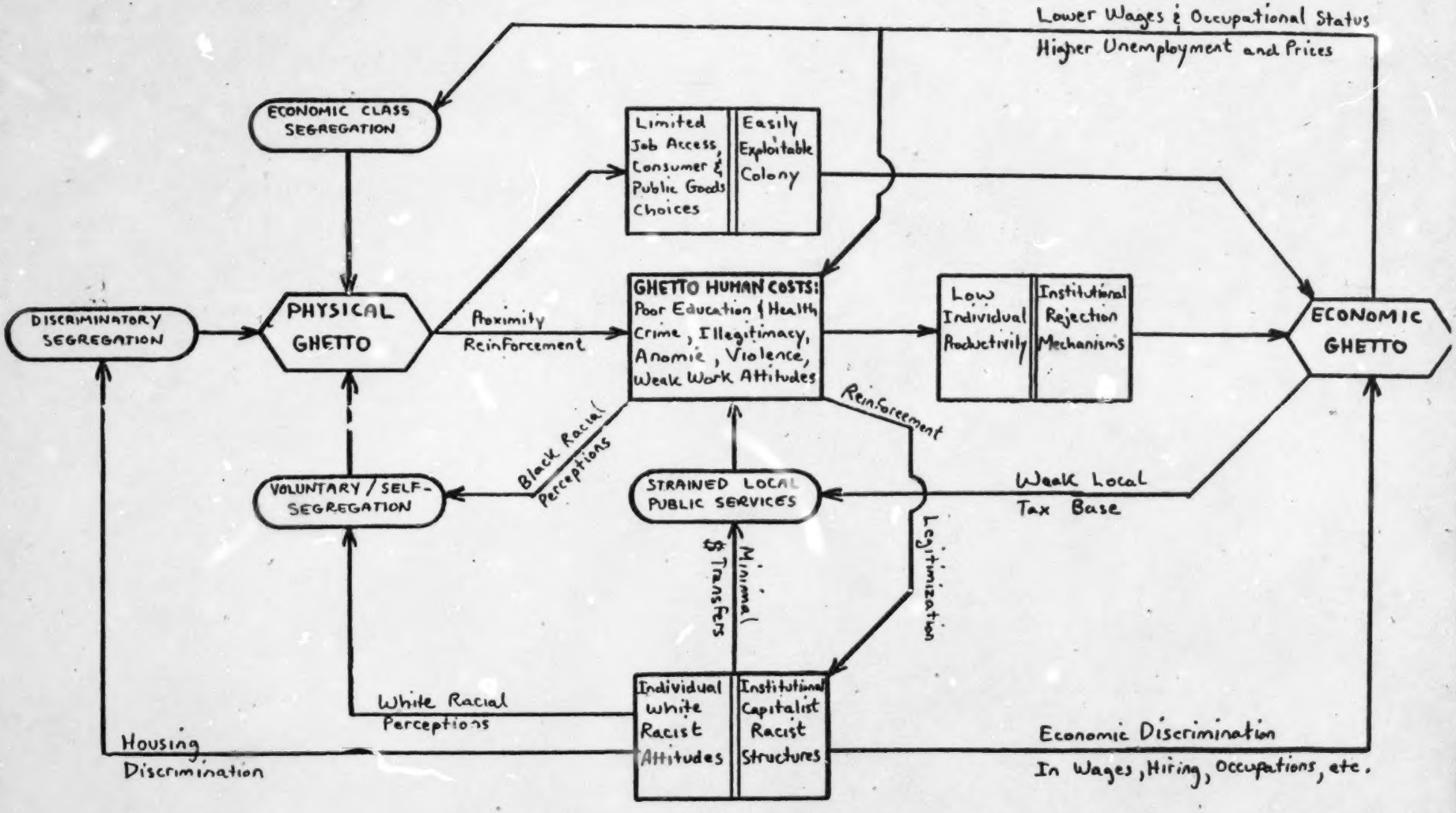
In this concluding section of this chapter the direct costs of both the centralized pattern of segregation and its discriminatory cause will be placed in the broader context of the ghetto subsystem.

As has been understood for a long time, "racial segregation in residential areas provides the basic structure for other forms of institutional segregation" (Johnson, 1943, p.8). More specifically, we can trace in detail the ramifications of the problems which the current pattern and cause of segregation generate. A schematic flow chart presented below will assist in this task.[23]

We have demonstrated, for instance, how segregation (the

Circular Causation and Cumulative Effects of Ghetto Subsystem

George Galster



Circular Causation and Cumulative Effects of Ghetto Subsystem

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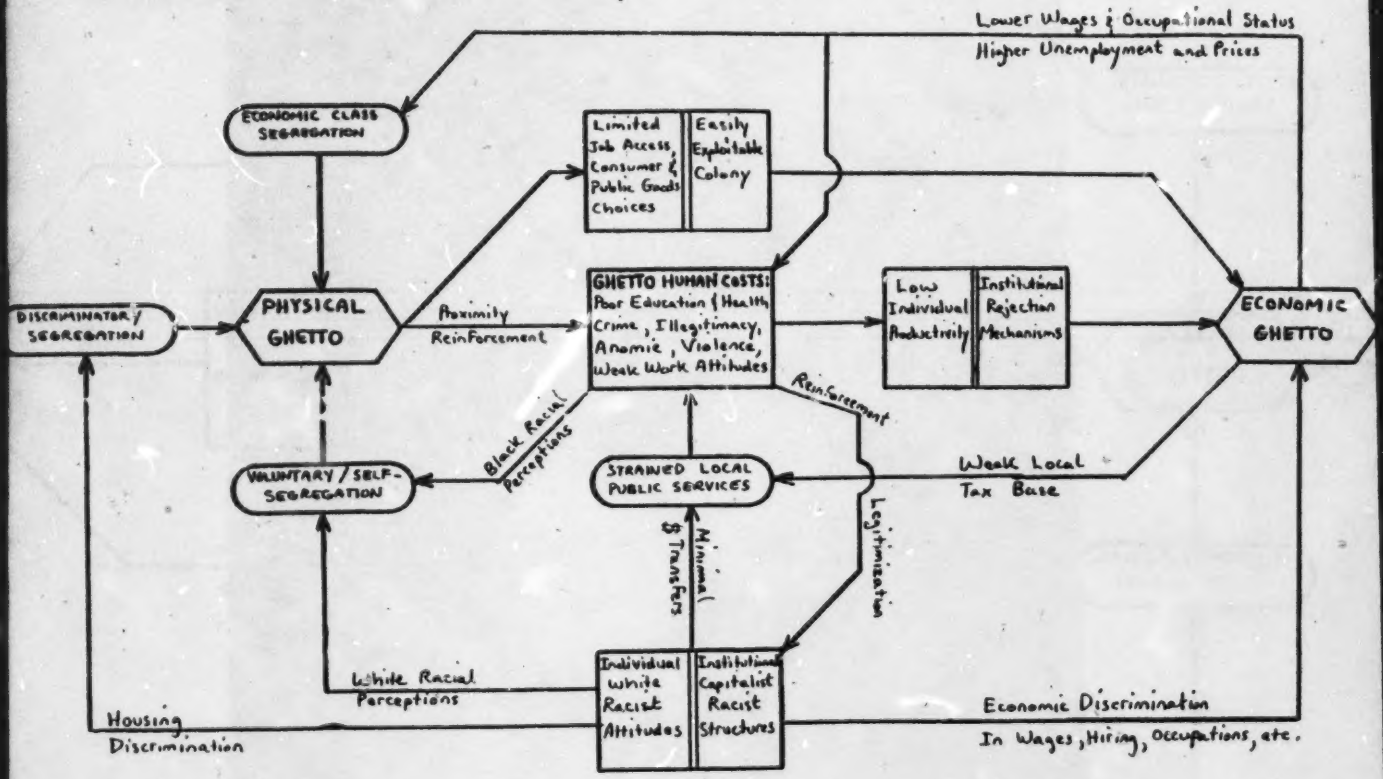

"physical ghetto" on the accompanying chart) has resulted in limitations on job opportunities/accessibility which directly contribute to the poverty problem in the minority community (the "economic ghetto" on the chart). The socio-psychological pathologies and inadequate minority public services (the "Ghetto Human Costs") further contribute to the economic ghetto by reducing the "human capital" or potential productivity of potential minority workers, making them less likely to be hired or given high wage jobs. A more indirect effect of the human costs of the ghetto is that they reinforce or "legitimize" white racial prejudices and racist institutions (c.f. Thurow (1969, Ch. 7) and Baron (in Knowles and Prewitt (1971)). In other words, it becomes "easier" to discriminate in hiring, wages, occupational status, etc. if the minority worker can be viewed as "uneducated," "apathetic," "violent," etc. Discrimination in consumer goods and public service provision is similarly encouraged. Such forms of discrimination, of course, form a significant added dimension of the economic conditions of the ghetto.

The process does not stop here, however. The resultant poverty and unemployment, inflated housing and consumer prices, and inadequate public services "feedback" to magnify the ghetto human costs (c.f. Fusfeld (1973, Ch.4)). Such unstable, frustrating economic conditions can be seen as a main force in generating socio-psychological problems, crime, and especially the instability of the black family (U.S. Dept. of Labor (1965)). In addition, the tax base of the central city jurisdiction is eroded while demands for compensatory public spending simultaneously rise, contributing

further to the fiscal incapacities of the minority political jurisdiction. What is created, in other words, is a mutually-reinforcing subsystem which perpetuates minority economic inferiority:

> The sum of deteriorating fiscal facilities in the ghetto, inferior education, low incomes, . . . and the inability to provide needed public services and intrastructure result in a rapidly declining level of environmental quality in the ghetto region. The low level of environmental quality militates against the possibility of an individual breaking out of this chain of interacting circular causation. (Henderson and Ledebur (1972, p. 167)).

The strained economic circumstances and severe human costs of the ghetto have a final effect in the subsystem. The exacerbated poverty of minorities contributes to their extent of residential segregation purely on the basis of income class. The socio-psychological pathologies of the ghetto reinforce white prejudices and intensify their desires to voluntarily self-segregate and to enforce such segregation through a variety of discriminatory techniques in the housing market.[24] Thus, the very segregation which spawns a variety of problems is indirectly intensified by the results of these problems. We have in America a ghetto subsystem based on complex interrelationships of circular causation, which operates so as to cumulatively magnify the costs generated by the subsystem and to perpetuate the subsystem itself. In other words, "the whole environment of the ghetto interacts in a way that tends to lock a ghetto resident into the region and to deprive him of opportunities for material betterment that are available to residents of other regions of urban areas." (Henderson and Ledebur (1972, p. 167)).

Conclusion

The full costs of discrimination and segregation cannot be adequately understood without reference to their role in the broader context of the ghetto subsystem. The direct costs of both the centralized pattern of discrimination and its discriminatory cause, severe as they are, undoubtedly produce equally-severe indirect costs: the intensification of the economic problems of the ghetto and those white racist attitudes and institutions which form the very foundation of the ghetto subsystem. Such effects, in turn, further reinforce segregation and a wide range of discriminatory practices. Research is needed to show at which link(s) in this circular causation subsystem public policy could be most effectively applied so as to reduce the cumulative costs of the ghetto.

V. Summary of Findings

The foregoing analysis has shown that both the centralized pattern of urban racial segregation and its predominant discriminatory cause have directly imposed significant burdens on minorities. Centralization has reduced minority job opportunities and accessibility, in light of the significant suburban expansion of jobs and the concomitant inadequacy of employment information flows and transportation availability for central city residents. A variety of factors associated with central city location increase the costs of retail business there, leading to higher consumer prices for local shoppers. And weaknesses in central city fiscal capacity force residents to bear ever greater tax burdens while still receiving an inadequate quality of public services.

Housing market discrimination has created significantly higher housing prices and lower levels of housing consumption and homeownership rates for minorities. Their choices in alternative public service packages has been effectively eliminated, and the potential for intra-jurisdictional discrimination in the provision of public services has been enhanced. Finally, a host of socio-psychological problems stemming from the reduction in the sense of personal power and control have resulted from discrimination.

Perhaps even more significantly, centralized, discriminatory segregation indirectly contributes to the maintainance of the broader ghetto subsystem. Lowered job opportunities/accessibility, socio-psychological problems, and lack of public human services contribute to the deperate economic conditions of the ghetto. These conditions encourage white prejudice and discrimination in employment and other sectors, which combine to exacerbate the weakness of the tax base, the poverty, and the socio-psychological problems of the ghetto. Finally, the economic conditions and attitudes generated by this process

intensify the underlying centralized, discriminatory segregation pattern, and the process continues.

In sum, there exists a clear-cut, acute need to immediately formulate policies to directly attack housing market discrimination, for it is this factor which lies at the root of many of the significant burdens born by minorities in the U.S. today.

FOOTNOTES

[1]It might be argued that the centralized ghetto also implies decreased jobs opportunities and accessibility for suburban whites who might work in central cities. The argument is not symmetric with the case for out-commuting ghettoites, however, since suburbanites are compensated for their lengthened commutes by lower suburban land rents and densities (c.f. Kain, in Pynoos, et. al. (1973)). Furthermore, since a significant extent of the central ghetto pattern is created by white discriminatory practices, one must presume that the white community is willing to bear the extra costs of lengthened commutes.

[2]Kain was careful to explain that such an estimate was extremely tentative and subject to a variety of unproven assumptions.

[3]Offner and Saks stressed that this result did not disprove the Kain hypothesis, but merely noted sensitivity of results to form of estimating function employed in analysis.

[4]Mooney downplayed the latter findings and stressed the comparative dominance of the macroeconomic unemployment effect compared to the segregation effect.

[5]Master's study (1974) of black/white earnings differentials is not considered in detail here. Although it claims to show that segregation did not limit either the quantity or quality of job opportunities there is no inclusion of the spatial distribution of jobs relative to black areas, other labor market conditions, etc. (c.f. Kain, in vonFurstenberg (1974)).

[6]These results supporting the importance of segregation and job dispersal were curiously downplayed by Friedlander in Ch. 4, and blatantly misrepresented by subsequent readers of his work (c.f. the Foreword by Eli Ginzberg in Friedlander (1972) and Harrison, in von Furstenberg (1974) p. 25.).

[7]The accessibility index takes the total number of jobs within zones which are under one hour (45 minutes) commuting time from residence by public transit (auto) and weighs each zone's employment by the inverse square of the travel time between residence and that zone.

[8]Another way in which centrality may effectively raise consumer prices for ghettoites is through increasing the time and monetary costs associated with shopping trips. As in the case of employment, a plethora of new shopping activities are opening up in the suburbs. Whether or not such activities offer greater potentialities than nearby CBD areas is questionable, however.

[9]The larger debate surrounding these studies has been concerned with whether measurable quality differences between schools lead to significantly different results in academic performance. Coleman and Jencks claim that factors other than school are much more important in determining achievement. Nevertheless, neither suggests that interracial variations in school quality are void of any significance or should be tolerated.

[10]Concerning the question of black concentration in the central city jurisdiction, one often hears the argument that such concentrations provide a compensatory benefit since it

creates a political power base for the minority community (c.f. Edel (in Edel and Rothenberg, 1972)). Wilson (1960, p. 27) notes, e.g., "other things being equal, Negro political strength in the city organizations tends to be directly proportional to the size and density of the Negro population."

Undoubtedly, the present extent of black elected officials from central city areas can be attributed to a large measure to the current segregation pattern. The central question, however, is whether such central city political dominance actually provides the power to make needed changes for the community (c.f. Baron (in Knowles and Prewitt, 1969)). The sad truth may be that given the paucity of financial resources and an impotence vis-a-vis white institutions, "the (black political) representatives do not have it in their power to alter fundamentally the lot of the Negro." (Wilson (1960, p. 456)).

[11]The constraints on minority housing demand in white areas may also be seen as maintaining white housing prices at artificially low levels. While such may be the case in the short run, a long run nondiscriminatory housing market equilibrium may not produce significantly higher white prices than currently if the long run housing supply function is close to perfectly elastic (although it would result in lower nonwhite housing prices).

[12]It is unclear whether the variations in housing quality per se are the key to the degree of markup here, as opposed to the income class/family type characteristics of the black households involved, as suggested by Galster. The extremely high markup estimates derived for high quality dwellings must be interpreted cautiously due to possible errors in functional form specifications and extrapolations beyond the range of sampled independent variable magnitudes

[13]Restrictions on the range of choice of particular housing attributes may also be the result of discrimination. For example, newer dwellings on large lots may be virtually impossible to find in minority housing markets, although this is due to the central city location of the ghetto rather than discrimination per se (c.f. Kain and Quigley (1975)).

[14]Both the Kain and Quigley and Straszheim studies assume no systematic interacial difference in housing preferences once life-cycle/demographic characteristics of the household have been controlled. New evidence suggests this assumption may not be entirely valid, as blacks show a tendency for a greater aversion to older dwellings and a smaller attraction to larger dwellings than comparable white households (c.f. Galster (1978)).

[15]Lending institutions might discriminate against blacks simply because they feel blacks are poorer credit risks or because the house being contemplated for financing is likely to be older and in declining neighborhood. This latter factor is more directly traced to the centralized pattern of segregation today. Another factor related to centralization is that there are likely to be fewer single family homes per capita available for sale in central city areas, regardless of the race of the area. McDonald (1974) estimates that over half the interracial differential in homeownership probabilities can be traced to this supply factor. In sum, it is difficult here to separate out the effects of direct discrimination against potential minority home-buyers vs. those of limited supply of single family dwellings in central cities.

[16] Although it is certainly true that racial retail discrimination can exist in an integrated neighborhood, it should be clearly noted how residential segregation can contribute to the proolem, albeit indirectly. The severe residential choice limitation we have identified in American cities may likely engender in minorities a sense of being limited in their shopping choices as well. Such a perception if white hostility in the housing market could encourage minorities to limit their "shopping" activities (for retail goods as well as homes) to their local neighborhoods. This, in turn, would tend to make retail product demand in such minority areas less elastic than it otherwise would be and give local merchants increased market power, thereby raising the specter of classic price discrimination.

[17]$400 for a combination TV, $300 for a table or portable TV, $300 for a phonograph, and $230 for a washing machine.

[18]In the Chicano area stores the white couple was frequently given worse credit terms than either minority couple.

[19]There are, of course, mobility constraints placed upon the poor of any race but, as demonstrated in Ch. II, such explains little racial segregation compared to discrimination.

[20]Kardiner and Ovesey (1972, Ch. 11) see this loss of environmental control--this sense of being mangled by the world--as manifested in the plethora of black "mutilation fantasies" revealed in psychoanalytic tests.

[21]It does not appear, however, that these socio-psychological harms are concentrated only in the lower economic classes of blacks. On the contrary, psychoanalytic work indicates that while the source of frustration and the type of adjustment mechanisms used differ between minority income groups, "the sum total of frustration remains the same" (Kardiner and Ovesey (1972, p. 335)).

[22]In fact, it may be that such creative responses to such a situation of deprivation and frustration are possible only through the "limited functional autonomy" (Rainwater (1973, pp. 5-6)) precisely due to the almost complete physical isolation of the ghetto from dominant white social forces.

[23]Blocks in the diagram which are divided vertically indicate the contrast between emphases on individualistic vs. institutional factors.

[24]Subcultural developments in the ghetto may also increase minorities' desires to voluntarily self-segregate.

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